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Administrative and budgetary aspects of the financing of the United Nations peacekeeping operations

Budget for the Office of Internal Oversight Services under the support account for peacekeeping operations for the period from 1 July 2008 to 30 June 2009

Report of the Independent Audit Advisory Committee

Summary

The present report reflects the comments of the Independent Audit Advisory Committee on the proposed budget for the Office of Internal Oversight Services under the support account for peacekeeping operations for the period from 1 July 2008 to 30 June 2009. Given its recent establishment, the Committee, in its initial report, focuses on high-level issues discussed in the budget, with an emphasis on the proposed restructuring of the Investigations Division of the Office of Internal Oversight Services.

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I. Introduction

1. The Independent Audit Advisory Committee has undertaken a review of the proposed budget for the Office of Internal Oversight Services (OIOS) under the support account for peacekeeping operations for the financial period from 1 July 2008 to 30 June 2009 (see A/62/783). The review was conducted in response to paragraph 2 (d) of the terms of reference of the Committee annexed to General Assembly resolution 61/275, according to which one of the responsibilities of the Committee is to review the budget proposal of OIOS, taking into account its workplan, and to make recommendations to the Assembly, through the Advisory Committee on Administrative and Budgetary Questions.

2. Owing to the recent establishment of the Independent Audit Advisory Committee, the limited time available for the Committee to comment to the General Assembly through the Advisory Committee and the timing of the receipt of related documentation from OIOS and other United Nations entities, the Committee's comments are based on the documents provided and relate primarily to the proposed restructuring of the OIOS Investigations Division. The Committee plans to provide a more detailed assessment of future budget proposals. It expects that the 2008 workplans of OIOS will be finalized by the time of the Committee's next meeting, in late April 2008. The Committee will review and hold discussions with OIOS on the substance of its final workplans, after which it will provide any critical comments as it deems appropriate.

II. Background

3. The proposed budget of OIOS under the support account for peacekeeping operations is estimated at $27,946,500 (gross) for the period from 1 July 2008 to 30 June 2009. This represents an increase of $5,009,500 (gross), or 21.8 per cent, over the prior year's approved budget of $22,937,000 (gross). The proposed budget covers the Investigations Division, the Internal Audit Division, the Inspection and Evaluation Division and the Executive Office.

4. The financial resources for OIOS for 2007/08 as compared with 2008/09 are as follows:

	2007/08	*2008/09*	*Variance*	*Variance (percentage)*
	(Thousands of United States dollars)			
Investigations Division	9 896.2	10 946.8	1 050.6	10.6
Internal Audit Division	11 483.4	13 248.8	1 765.4	15.4
Inspection and Evaluation Division	1 062.5	948.6	(113.9)	(10.7)
Executive Office	494.9	2 802.3	2 307.4	466.2
Programme support costs	494.9	732.5	237.6	48.01
Procurement Task Force		2 069.8	2 069.8	
	22 937.0	**27 946.5**	**5 009.5**	**21.80**

5. The financial resources detailed above include requirements of $2,069,800 for the Procurement Task Force for the period from 1 July to 31 December 2008. The Procurement Task Force was established in January 2006, and the related requirements were included in the budgets of the individual peacekeeping missions. As indicated in the report of the Secretary-General on resource requirements for procurement investigations (A/62/520), charges for the Task Force would be apportioned on a shared basis between peacekeeping budgets (85 per cent) and the regular budget (15 per cent). Total estimated requirements of $4,139,500 would arise under the peacekeeping budgets for the financial period 2008/09. The Task Force is expected to complete its review of all procurement-related cases by 31 December 2008. The Secretary-General is therefore requesting funding of approximately 50 per cent of the total requirements to be charged to the peacekeeping support account budget.

6. OIOS has presented information to the Independent Audit Advisory Committee on its strategic direction and workplan, which is the basis of its proposed resource requirements for the budget period. The key strategic initiatives and a summary of the workplan for each of the three Divisions, as presented by OIOS, are provided below.

A. Investigations Division

Strategy

7. OIOS plans to strengthen the capacity and performance of the Investigations Division through:

(a) Specialization of investigative skills reflecting the two major types of cases, namely, sexual exploitation and abuse, and financial, economic and administrative misconduct cases;

(b) Ensuring a critical mass of capacity necessary to uphold investigative excellence by concentrating the currently fragmented distribution of investigators in peacekeeping missions into three regional hubs, in New York, Vienna and Nairobi. There will be approximately 25 investigators in each hub, including New York, which serves as the headquarters of the Division.

8. OIOS believes that the minimum critical mass of capacity for an investigation unit is 10 to 12 investigators. In its view, to justify such a presence, the caseload at any given time should be around 150. According to OIOS, the current caseload is 20 to 30 in each peacekeeping mission, which does not justify the presence of resident investigators. A detailed discussion of the actions and proposals of the Under-Secretary-General for Internal Oversight Services to strengthen the investigation function of OIOS are provided in the annex to document A/62/582 and Corr.1. In that report, OIOS focused on three areas: leadership and management; operating strategies and procedures; and optimal structure and location.

9. According to OIOS, the new structure will not only reflect a refined focus on the substantive areas of the work of the Investigations Division, but will also allow the Division to cover investigation cases from two new Missions, namely, the African Union-United Nations Hybrid Operation in Darfur (UNAMID) and the United Nations Mission in the Central African Republic and Chad (MINURCAT). OIOS claims that in the resident investigator model, it would have required

approximately 18 new posts in order to provide investigation services for the two Missions. Under the proposed regional hub model, OIOS will provide investigation services for UNAMID and MINURCAT within existing resources.

Workplan summary

10. According to OIOS, in addition to the work of the Investigations Division, which is largely demand-driven, the following major initiatives are currently being carried out:

(a) The development of standard operating procedures;

(b) The review and enhancement of the Investigations Manual;

(c) Improved case management through the employment of a case intake committee and an enhanced case management system;

(d) Improvements in tools and technology;

(e) Integration of the caseload of the Procurement Task Force.

11. During 2008/09, the projected outputs of the Investigations Division would include:

(a) 420 reviews and analysis of misconduct allegations (category I) for decisions as to jurisdiction and investigative action;

(b) 120 investigation reports;

(c) 130 referrals issued to programme managers for comment and appropriate action;

(d) 20 advisories issued to the Department of Field Support on the proposed investigation of category I cases or on category II investigations carried out.

B. Internal Audit Division

Strategy

12. OIOS will continue to demonstrate professional excellence by:

(a) Ensuring a risk-based workplan;

(b) Further strengthening the functions of the Professional Practices Section;

(c) Improving support for information and communications technology;

(d) Establishing a forensic audit capacity.

Workplan summary

13. The workplan of the Internal Audit Division will include:

(a) An annual report to the General Assembly on audit results and the implementation of critical audit recommendations on peacekeeping operations;

(b) Audits reports specifically requested by the General Assembly;

(c) 120 audits, including 10 audits on the Headquarters functions of the Department of Peacekeeping Operations and the Department of Field Support;

(d) 2 horizontal audits on cross-cutting issues;

(e) 15 risk assessment exercises by resident auditors in peacekeeping missions;

(f) 2 professional development training programmes for resident auditors and audit assistants and an annual conference of chief resident auditors.

C. Inspection and Evaluation Division

Strategy

14. OIOS will continue to improve quality and performance through:

(a) The development of an inspection and evaluation manual and standard operating procedures;

(b) The refinement of the risk-assessment approach and work planning.

15. OIOS also plans to significantly increase the scope and coverage of peacekeeping operations in order to respond to the provisions of General Assembly resolutions 58/269 and 60/257 on strengthening the monitoring and evaluation system and on improving the format and timing of programme performance and evaluation reports.

Workplan summary

16. The workplan of the Inspection and Evaluation Division will include:

(a) The development of an appropriate methodological framework for peacekeeping evaluation and inspection;

(b) Two in-depth evaluation reports on the review of peacekeeping operations;

(c) Two reports on thematic evaluations of peacekeeping operations;

(d) Two ad hoc inspection reports on the review of peacekeeping operations.

III. Comments of the Independent Audit Advisory Committee

A. General

17. The International Standards for the Professional Practice of Internal Auditing require that:

(a) Internal auditors develop and record a plan for each engagement, including the scope, objectives, timing and resource allocations;

(b) The internal audit activity's plan of engagements be based on a risk assessment, undertaken at least annually.

18. Best practice also recognizes that a single audit methodology should be used to assess risk on a sustained basis that is also understandable to those being audited, especially those held responsible and accountable for the management of risk.

19. It therefore follows that the budget should be based on a proposed workplan that has been developed on the basis of an assessment of risks that have been clearly defined, consistently applied and properly documented.

20. **The Independent Audit Advisory Committee recommends that evidence of coordination with the other oversight bodies be reflected in the planning documents. The workplan should also be prepared prior to or coincident with the submission of the budget, which should include all resources needed to execute the plan.**

B. Investigations Division

21. As noted previously, the Independent Audit Advisory Committee has focused its high-level review primarily on the proposed restructuring of the Investigations Division and on the cost and other related implications.

22. For 2007/08, 12 posts (6 Professional and 6 General Service) were authorized for the Investigations Division under the support account. Those posts were supplemented by 63 posts (46 Professional and 17 General Service) funded under general temporary assistance.

23. The restructuring of the Division to include three main centres — New York, Vienna and Nairobi — involves the relocation of existing approved posts, the conversion of authorized general temporary assistance resources and positions in the peacekeeping missions and the re-establishment of those posts in the three regional centres. The OIOS proposal involves the transfer of 12 existing Resident Investigator positions (6 Professionals and 6 General Service) from peacekeeping missions to the hubs, the conversion of 36 positions funded under general temporary assistance (26 Professionals and 10 General Service) to posts and their transfer from peacekeeping missions to the hubs and the conversion of 27 positions currently existing in the three hubs funded under general temporary assistance to posts (20 Professional and 7 General Service), for a total of 75 movements. OIOS is proposing that, on the basis of the workplan of the Investigations Division, the number of staff be reduced by 2 posts compared with the 2007/08 authorized staffing resources. The anticipated requirements at each regional hub would be as follows: 29 posts in New York (23 Professional and 6 General Service); 18 posts in Vienna (13 Professional and 5 General Service); and 26 posts in Nairobi (18 Professional and 8 General Service). OIOS considers that a new structure for the Investigations Division would address concerns about work quality and improve efficiency.

24. **While the establishment of specialist teams of investigators would bring valuable skills and experience to the Organization, the Independent Audit Advisory Committee recommends that OIOS take appropriate steps to ensure that this does not result in an overemphasis on certain types of cases and an underemphasis on others. OIOS has pointed out to the Committee that the OIOS strategy is designed to provide for the development of more robust skills in the specialty areas, including opportunities for investigators to be cross-skilled.**

25. **The Committee took note of the arguments put forward by OIOS to support the restructuring. While the Committee believes that a hub concept has**

merit, it would have welcomed further discussion in the support account budget report on the cost implications of the proposed restructuring, in both the short and the long term, the implications of creating a precedent and the potential effect on morale arising from the repositioning of the existing investigators. Useful information should be provided through a cost-benefit analysis showing all relevant costs relating to the current resident investigator approach as compared with the regional hub approach. Such costs should also include the potential additional costs of terminating and recruiting staff. For example, the amount of $20,135,900 provided under post resources for 2008/09 relates to the cost of 73 posts in the regional hub centres. That amount was computed on the basis of a lower standard cost rate (50 per cent for Professional and 65 per cent for General Service posts) owing to the delayed recruitment factor. In subsequent budget periods, the cost estimate for those posts would increase significantly, since the posts would be costed at 95.1 per cent for Professional staff and 98.5 per cent for General Service staff. OIOS concurred that further discussion on the budget document would have provided an opportunity to bring to the Committee's attention details of the advantages of the regional hub structure.

26. **Given the comments above, the Independent Audit Advisory Committee believes that OIOS should consider using a phased approach to the transfer and/or conversion of the posts proposed for 2008/09. In that regard, the proposals of OIOS did not indicate how many of the 73 posts were expected to be needed on a long-term basis. The Committee further notes that the support account budget does not include a description of the 73 posts proposed to be retained and of the functions that would be undertaken by the incumbents. The inclusion of such information would have provided useful information in support of the restructuring.**

27. **The Committee also recommends that OIOS pay close attention to defining the types of skills and experience needed for effective investigators based on the expertise of supreme audit institutions and other accountability organizations. In considering appointments that may arise as a result of the restructuring, OIOS should take into account the eligibility of current staff members to apply and be considered for the new positions. The process to be employed should be well considered and effectively implemented in order to ensure fairness and equity for all existing United Nations personnel and prospective applicants. As noted above, OIOS also needs to consider all related costs and morale implications before proceeding.**

C. Internal Audit Division

28. According to OIOS, the workplan for 2008 was based primarily on a preliminary risk assessment of the clients' activities. A full risk assessment of the Department of Peacekeeping Operations and the Department of Field Support is scheduled for May 2008, and the workplan of the Internal Audit Division will be amended to reflect the results. The Independent Audit Advisory Committee plans to review the revised workplan.

29. The risk-based plan of the Internal Audit Division was based on a risk assessment methodology adopted by the Division in June 2006 and further fine-tuned and implemented in January 2007. Key elements of the methodology include

the identification of "business risks", focus areas and risk categories. OIOS has defined business risks as threats that events or actions will adversely affect the ability of the United Nations to achieve its organizational objectives and execute its strategies effectively. OIOS reported that it had identified those risks through interviews and workshops held with management and staff. Focus areas relate to the key process areas that are typically found in United Nations operations. OIOS identified 11 such areas. Risk categories are the common concerns or events grouped together by the associated type of risk. OIOS identified seven risk categories: strategy, governance, compliance, finance, operational issues, human resources and information resources.

30. **The Independent Audit Advisory Committee believes that the methodology provided by the Internal Audit Division provided a reasonable basis for establishing the Division's preliminary workplan. The outputs of the Internal Audit Division, as presented in the budget document, are based on the workplan for 2008.**

31. In examining the 2008 workplan of the Internal Audit Division, the Committee noted that the plan had not been completed in its entirety. For example, information on "criteria" (whether high, medium or low priority) had not been completed for a significant number of assignments for the Peacekeeping Audit Service. Out of 175 assignments planned, 89 (almost 50 per cent) did not include information on criteria. Since risk assessments would enable the Internal Audit Division to better understand its auditees and to focus the audit work on high- and medium-risk areas, it is important that information on criteria be fully provided in the audit plan. Information on "risk categories" was also excluded from some assignments. It would have been useful if the workplan had included a legend to explain comments under "assignment type".

32. **The Independent Audit Advisory Committee recommends that OIOS complete the workplan in its entirety and include more complete information on its criteria for defining risks and related risk categories. A legend should also be attached to the workplan for 2008.**

33. For 2007/08, the authorized number of posts for the Internal Audit Division funded from the support account for peacekeeping operations amounted to 77. For 2008/09, OIOS is proposing a technical transfer of 15 Resident Auditor posts presently included in the respective mission budgets (3 from MINURCAT in Chad and 12 from UNAMID in Darfur). This arrangement was determined because the timing of the finalization of the proposed budget for the support account and the establishment of MINURCAT did not coincide. Similarly, UNAMID was established after the 2007/08 budget for the support account had been approved; hence the requirements for the Internal Audit Division were budgeted for on a short-term basis in the UNAMID budget. These transfers would not involve any additional costs to the United Nations.

34. For 2008/09, OIOS is also proposing to convert nine General Service (Other level) Audit Assistant posts in peacekeeping missions to the Field Service category. This proposal is made to facilitate the recruitment of qualified audit assistants in the missions rather than detailing staff from regular duty stations. **The Independent Audit Advisory Committee notes that no information was provided in the proposed budget regarding any potential cost differentials associated with such conversions.**

35. OIOS is also requesting an increase of one post in the Professional category (P-4) for audit coverage at the United Nations Stabilization Mission in Haiti and a decrease of one General Service post for audit coverage at the United Nations Interim Administration Mission in Kosovo.

36. In its budget submission, OIOS noted that the post requests for 2008/09 were based on the need to provide audit coverage of the assessed risks, the formula for the allocation of resident auditors approved by the General Assembly and the complexity of the mandates and operational environments of each of the peacekeeping entities. **Owing to the constraints noted previously, the high-level review by the Committee did not include a detailed assessment of the posts proposed for the Internal Audit Division.**

D. Inspection and Evaluation Division

37. OIOS noted that in developing its 2008 workplan, the Inspection and Evaluation Division utilized a systematic, strategic risk-based planning approach to establish priorities among competing demands. According to OIOS, as the Division will continue to have outputs mandated by the General Assembly, not all of its work can be risk-based. In addition, in assessing and selecting potential inspection and evaluation topics, the Division used a planning framework that considers factors relating to risk, issues of strategic importance and the need for systematic and cyclical coverage; this approach aims to ensure that the Division's activities are relevant to United Nations governance bodies, management and stakeholders by addressing the strategic oversight priorities of the United Nations in a regular and timely way and by focusing limited resources on those areas of United Nations activity that require most urgent attention. The risk model used by the Division will be further developed as additional data sources for pertinent risk indicators become available.

38. **The Independent Audit Advisory Committee considers that the strategic risk-based planning approach used by the Inspection and Evaluation Division provided a reasonable basis for establishing its initial workplan for 2008. The Committee was pleased to note that the workplan provided complete information in support of the activities to be undertaken by the Division in 2008.**

39. For 2007/08, the Inspection and Evaluation Division was authorized one post in the Professional category (P-4) under the peacekeeping support account. For 2008/09, the Division is requesting an additional three Professional posts and one General Service post, bringing the total number of posts funded from the support account to five. OIOS has indicated that the additional posts would enable the Inspection and Evaluation Division to strengthen its in-depth and thematic evaluation function and significantly increase the scope and coverage of the Division's evaluation of peacekeeping activities.

40. **For the reasons stated previously, the Committee did not undertake a detailed assessment of the post proposals for the Inspection and Evaluation Division.**

IV. Conclusion

41. **The members of the Independent Audit Advisory Committee respectfully request the General Assembly to consider the present report and to take note of its comments and recommendations included herein.**

(*Signed*) David M. **Walker**
Chairman, Independent Audit Advisory Committee